

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 PM-03 NSC-05 SP-02 SS-15 RSC-01 EB-07

TRSE-00 FEA-01 SSO-00 NSCE-00 CIAE-00 INR-05 NSAE-00

INRE-00 AID-05 INT-05 IGA-01 /061 W

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 3628

C O N F I D E N T I A L QUITO 8413

E.O. 11652: GDS

TAGS: PFOR EC

SUBJECT: MEETING WITH PRESIDENT RODRIGUEZ LARA: 1 - AID PHASE-OVER

REF: STATE 261823

1. I MET AT MY REQUEST AT 7:30 A.M. DECEMBER 10 FOR 70 MINUTES WITH PRESIDENT RODRIGUEZ LARA. GENERAL CARLOS AGUIRRE, SECRETARY GENERAL OF ADMINISTRATION, AND JAIME SANCHEZ LEMOS, CHIEF OF CEREMONIES OF THE PALACE, WERE ALSO PRESENT BUT TOOK NO SUBSTANTIVE PART IN THE DISCUSSION. MY APPOINTMENT HAD BEEN DELAYED BECAUSE OF THE FESTIVITIES LAST WEEK IN CONNECTION WITH THE CELEBRATION OF THE FOUNDATION OF QUITO. WHEN THE PRESIDENT LEARNED THAT I WOULD BE DEPARTING ECUADOR FOR A FEW DAYS ON DECEMBER 11, HE SUGGESTED I BREAKFAST WITH HIM BEFORE THE REGULAR CABINET MEETING AT 9:00 A.M.

2. THE PRESIDENT RECEIVED ME CORDIALLY. HE OPENED THE DISCUSSION BY REFERRING TO THE INCREASINGLY DIFFICULT WORLD ECONOMIC SITUATION, AND SPOKE OF THE NEED FOR CONSUMING AND PRODUCING COUNTRIES TO GET TOGETHER TO PRESERVE THE WORLD ECONOMIC SYSTEM. HE CITED THE LAYOFFS ANNOUNCED BY U.S. AUTOMOBILE FIRMS AND I MENTIONED SIMILAR LAYOFFS THAT WERE TAKING PLACE IN OUR INDUSTRIALIZED COUNTRIES SUCH AS ITALY AND FRANCE. THE PRESIDENT COMMENTED ADVERSELY ON CURRENT FRENCH OIL/

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ECONOMIC POLICY, SAYING THAT APPARENTLY FRANCE DID NOT WANT

TO JOIN WITH OTHER COUNTRIES IN RESOLVING THIS PROBLEM BUT WAS PURSUING ITS OWN COURSE OF ACTION IN ATTEMPTING TO MAKE SEPARATE DEALS WITH COUNTRIES. I REMARKED THAT THERE WAS LITTLE NEW IN THIS AND RECALLED CERTAIN OF DEGAULLE'S ACTIONS. THE PRESIDENT GRIMACED HIS DISAPPROVAL.

3. HE MENTIONED PRESIDENT FORD'S VISIT TO JAPAN AND RUSSIA AND SAID HE WAS PLEASED WITH WHAT HE UNDERSTOOD TO BE THE SUCCESSFUL OUTCOME OF THESE VISITS. I EXPRESSED MY APPRECIATION FOR HIS COMMENTS.

4. I THEN WENT TO THE QUESTION OF THE AID PHASE-OUT, DRAWING ON THE DEPARTMENT'S INSTRUCTIONS AND ON OUR PREVIOUS EXCHANGES. THE PRESIDENT HEARD ME OUT CORDIALLY AND THEN FOR THE ENSUING FORTY MINUTES DISCUSSED THE CONTINUED NEED FOR ECUADOR FOR BOTH TECHNICAL ASSISTANCE AND LOANS FROM INTERNATIONAL INSTITUTIONS SUCH AS THE IDB. HE MADE THE POINT THAT ECUADOR HAD NOT BECOME A RICH COUNTRY OVERNIGHT, SAID THAT THE TRANSFER OF RESOURCES TO THE AGRICULTURAL SECTOR WAS JUST BEGINNING, AND DESCRIBED THE URGENT NEED FOR IMPROVEMENT IN SOCIAL SERVICES AND IN EDUCATION WHICH HE REMARKED HE WAS CERTAIN I COULD VERIFY FROM MY TRIPS AROUND ECUADOR. THE COMING YEAR WOULD BE AN ESPECIALLY CRITICAL ONE: THE BUDGET ESTIMATE WAS UP SOME 50 PERCENT, WAGES WOULD HAVE TO BE INCREASED, THE COUNTRY WAS ENCOUNTERING DIFFICULTY IN SELLING ITS OIL, AND ACCESS TO LOANS FROM INTERNATIONAL INSTITUTIONS WOULD CONTINUE TO BE REQUIRED. IN THIS CONTEXT HE MENTIONED THE CURRENT \$4 MILLION IDB LOAN PROPOSAL AND SECRETARY SIMONS' ROLE THEREIN. HE WAS WELL INFORMED.

5. APROPOS OF THE OIL QUESTION, HE SAID THAT THEY WERE HAVING CONVERSATIONS WITH THE OIL PRODUCERS (I.E., TEXACO-GULF). FOLLOWING THE OPEC MEETING IN VIENNA THERE WOULD MOST CERTAINLY BE A DIFFERENCE BETWEEN THE PRICE AGREED ON THERE AND WHAT ECUADOR COULD DO, AND HE WAS CONFIDENT THE PRICING PROBLEM COULD BE WORKED OUT. THE PRESIDENT MADE PASSING REFERENCE IN THIS CONNECTION TO THE LARGE PROFITS OF INTERNATIONAL OIL COMPANIES. I MADE NO COMMENT.

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6. RODRIGUEZ LARA SAID HE COULD UNDERSTAND IF THE U.S. WERE SHIFTING SOME OF ITS PRIORITIES TO OTHER AREAS, BUT THAT ECUADOR CONTINUED TO NEED BOTH OUR TECHNICAL ASSISTANCE AND ACCESS TO LOANS. AS A MATTER OF FACT, THE TECHNICAL ASSISTANCE OF ALL COUNTRIES TO ECUADOR OUGHT TO BE INCREASED. IF THAT WERE NOT POSSIBLE, THEN CERTAINLY THERE SHOULD BE NO CUT. THE FOREIGN MINISTER HAD SPOKEN

TO ME ABOUT THIS, HE SAID. A REDUCTION IN U.S. ASSISTANCE WOULD BE SEEN AND REPORTED BY OTHER AMBASSADORS HERE AS A REACTION TO CERTAIN POLICIES FOLLOWED BY ECUADOR, I.E., ITS MEMBERSHIP IN OPEC, ITS DEFENSE OF ITS NATURAL RESOURCES, ETC. THIS WOULD BE UNFORTUNATE.

7. IN CONCLUDING HIS LENGTHY PRESENTATION OF ECUADOR'S CONTINUED NEED FOR DEVELOPMENT AND OUR ASSISTANCE WHICH I HAVE ONLY SUMMARIZED ABOVE, THE PRESIDENT ASKED ME TO SPECIFICALLY CONVEY THIS MESSAGE TO WASHINGTON. I TOLD THE PRESIDENT I WOULD DO SO, BUT THAT I SAW LITTLE PROSPECT THAT THE DECISION TO TERMINATE OUR GRANT BILATERAL TECHNICAL ASSISTANCE COULD BE CHANGED, AND WENT OVER AGAIN THE MANNER IN WHICH WE PROPOSED TO PHASE OUT OUR ASSISTANCE PROGRAM. I TOLD THE PRESIDENT SPECIFICALLY THAT IN ORDER TO ACCOMPLISH THE PHASE-OUT WE WOULD NEED ONLY A LETTER FROM THE MINISTER OF FINANCE PRIOR TO JUNE 30, 1975 REQUESTING A TECHNICAL ASSISTANCE LOAN AND THAT WE COULD THEN DISCUSS AND ANNOUNCE THE DETAILS OF THE LOAN IN OCTOBER OR NOVEMBER. THE PRESIDENT REPLIED THAT THREE YEARS WAS A VERY SHORT TIME, GAVE NO EXPLICIT ANSWER, REITERATED ECUADOR'S CONTINUED NEED FOR U.S. ASSISTANCE, AND ASKED AGAIN THAT I CONVEY HIS VIEWPOINT TO THE UNITED STATES GOVERNMENT. I SAID AGAIN THAT I WOULD MAKE KNOWN HIS VIEWS TO MY GOVERNMENT. AT NO POINT DID HE RESPOND SPECIFICALLY TO MY PROPOSALS.

8. COMMENT: MY COMMENTS AND RECOMMENDATIONS ON THE AID PHASE-OVER WILL FOLLOW. FOR NOW, I WISH TO REPEAT MY PREVIOUS STRONG RECOMMENDATION THAT THE USG NOT DISAPPROVE THE PENDING \$4 MILLION DOLLAR LOAN FROM THE IDB OR TAKE ACTION OR MAKE STATEMENTS WHICH WILL SIGNAL TO THE GOE AN INTENTION TO CUT IT OFF FROM INTERNATIONAL LENDING

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INSTITUTIONS. SUCH A COURSE MAY EVENTUATE AS A RESULT OF CONSULTATIONS AND NORMAL POLICY DEVELOPMENT IN THE IDB, AND IN THAT EVENTUALITY THE GOE WILL IN TIME COME TO ACCEPT IT. BUT FOR US TO TAKE THE LEAD ON THIS AND JUST NOW WILL JEOPARDIZE OUR INTERESTS AND OBJECTIVES HERE.  
BREWSTER

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## Message Attributes

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